Twenty-fourth Annual Report 1974

for the year ended
September 30, 1974

and

Interim Report

for the three month period
ended December 31, 1974

f.d.

GIANT MASCOT MINES LIMITED

ANNUAL REPORT OF THE PRESIDENT ON BEHALF OF THE DIRECTORS TO THE MEMBERS

During the year ended September 30, 1974, as was contemplated in the last Annual Report, the Company entered into an agreement for the further financing of Panarctic Oils Ltd., and later in the year ceased production at the Giant Nickel Mine when the continuing exploration programs did not result in additions to the mineable ore reserves. The assessment of the immediate potential of the Motherlode-Greyhound properties was completed and although reserves of copper-gold mineralization were established, they were not considered economic under present conditions.

Subsequent to the year end, the Company proceeded with and has now completed a rights offering to the members.

Financial

As will appear from the accompanying financial statements, the Company incurred an operating loss of $591,569, but in view of the cessation of production at the Giant Nickel Mine, buildings and equipment and deferred exploration and development expenditures have been written down as set out in the notes to the statements, by some $4,105,161, net of $2,741,000 in deferred income tax, resulting in a loss for the year, after giving effect to the extraordinary items, of some $4,696,730.

The Company received $2,227,200 by way of gross subscriptions from the exercise of rights to purchase additional shares at the price of $0.58 per share which expired on January 13, 1975. A total of 3,839,999 shares have been issued in consideration for those subscriptions. Under the terms of the agreement with Cemp Investments Ltd., the Company's major shareholder, the Company, as approved by the members at the last Annual General Meeting, may call upon Cemp, from time to time, to subscribe up to an amount of $1,302,450 for additional shares at the rights offering price.

On receipt of the proceeds of the rights offering, the Company reduced its outstanding bank indebtedness, which continues to be guaranteed by Cemp, to $900,000, and the balance of its commitments to Panarctic under the Fifth Expansion Agreement to $72,620.

Pursuant to the agreement with Cemp, the Company has made a call on the latter to subscribe a sum of $900,000.50 for additional shares of the Company. This subscription, when received, will be used to retire the Company's present bank indebtedness. It is contemplated that the Company may make further calls on Cemp up to the balance of its commitment to the Company, and monies so subscribed would be used by the Company for working capital purposes and to meet the balance of its obligation under the Panarctic Fifth Expansion Agreement entered into as of March 2, 1974.

During the fiscal year ended September 30, 1974, the total wages, salaries and benefits paid to employees by the Company and its subsidiaries amounted to $2,111,181, as compared with $2,400,979 for the previous year. By the fiscal year end, the number of employees of the Company and its subsidiaries had been reduced, largely as a result of the closure of the Giant Nickel Mine, to 16. To assist our employees who were to be laid off when the mine shut down, the Company arranged with the Canada Manpower Consultative Service to aid them in obtaining other employment.

During the fiscal year, capital expenditures amounted, on a consolidated basis, to $209,738, incurred primarily in connection with buildings and equipment. The Company has entered into no commitments for capital expenditures since the year end.

The report for the first quarter ended December 31, 1974, of the present fiscal year, is included in this Annual Report following the audited financial statements for 1974. In view of the closure of the Giant Nickel Mine, which was the Company's only source of revenue, and the resultant reduction in the scope of the Company's activities, this interim report does not include a consolidated statement of income.

Panarctic Oils Ltd.

As previously reported, the Company in 1974 continued its participation in the exploration for petroleum and natural gas in the Canadian Arctic Islands by continuing its participation in the financing of Panarctic Oils Ltd. under Panarctic's Fifth Expansion Agreement. Pursuant to that agreement, the Company was issued 72,550 common shares of Panarctic at a price of $12.50 per share for a total commitment of $906,875, and now holds a total of 1,658,172 of such shares, being a 4.436% interest.

The 1974 Panarctic exploration program resulted in the completion of 20 wells in the Canadian Arctic Islands and the acquisition of 5,013 miles of seismic survey in that area.

The Bent Horn well on Cameron Island, drilled during 1974, flowed high quality oil at a rate of 500 barrels per day, which at that latitude and by itself is not commercial. The drilling of a stepout well is currently taking place on that structure to further evaluate its future potential. At the Hecla gas field an eight mile stepout well was successfully drilled from an ocean ice platform. This well established the Hecla gas field as one of importance. Amongst other significant results of the 1974 program was the completion of two development wells on the Drake Point gas field.

Panarctic has five rigs under contract at this time. The 1975 program encompasses further exploration drilling, participation in an extensive seismic program and further development drilling of the known structures.

At the hearings of the National Energy Board relating to Canadian natural gas reserves, held during the fall of 1974, Charles B. Hetherington, President of Panarctic, testified that the six known fields in the Arctic Islands can reasonably be expected to produce 12 trillion cubic feet of pipeline quality gas.

The participants in Polar Gas (Trans-Canada Pipe Lines Ltd., Canadian Pacific Investments Ltd., Tenneco Oil and Minerals, Ltd., Texas Eastern Transmission Corp., Pacific Lighting and Gas Development Corp., together with Panarctic Oils Ltd.) are continuing the basic research and preparation necessary to make an application to the National Energy Board in 1977 for a permit for the construction of a

pipeline for delivery of the Arctic Islands' gas to southern markets. To date in excess of 20 million dollars has been spent in this work.

Panarctic, like others engaged in the search for new petroleum and natural gas reserves, has suffered from the uncertainties and adverse taxation treatment created by Governments in Canada. Some parties who would normally participate in the Panarctic program by way of farm-ins or other joint interest participation appear to have concluded that this is not the time to invest in Canadian frontier exploration. It is doubtful that Panarctic will be able to finance the entire 1975 program put forward by its management as a result of these problems.

Mining and Exploration

In the last Annual Report members were advised that it was doubtful whether the mineable ore reserves at the Giant Nickel Mine would sustain production after September 30, 1974, but that production would certainly be continued if the exploration programs then in progress resulted in the discovery of additional mineralization of ore grade. In addition to exploration in the course of normal operations, a total of some $376,000 was spent during the year in extended exploration but the mineralization encountered in the course of exploration generally could not be classified as mineable ore reserves. Accordingly, the operation was gradually phased down and finally ceased production on August 30, 1974. Subsequently an interesting showing of mineralization was discovered during the construction of a logging road on the property some distance to the west of the mine workings. To assess the potential of that showing, the Company carried out an exploration program. On the basis of the results obtained it appears that the mineralization, although of average mine grade, is of limited tonnage.

During the 11 months ended August 31, 1974, 228,653 short tons of ore were treated at the Giant Nickel Mine and 12,985.7 short tons of nickel and copper concentrate were produced. The Company derived some benefit from the improvement in the settlement price for nickel, which over the fiscal year increased in gradual increments to a maximum increase of some $0.51 per pound, before declining again, at the time of the last shipment, to a point where the net price increase was only $0.37 per pound. As a result of prior shipping arrangements, however, most of the Company's copper production was sold at the price effective in December, 1974, by which time the M.W.C.I.F. Europe price for copper had declined to a monthly average of some $0.58 per pound from a peak daily price of some $1.49 per pound in May, 1974.

The exploration program initiated in 1973 on the Motherlode-Greyhound and adjoining properties owned or held under option by the Company's wholly-owned subsidiary, Mascot Mines & Petroleums Limited, has been completed. The copper-gold mineralization established as a result of this program on the Motherlode-Greyhound properties themselves is not considered to be economic mill feed for the existing plant under present conditions. The results obtained from work carried out on the adjoining properties held under option did not justify their retention and accordingly the options were abandoned. Similarly, no other source of presently economic mill feed was found in the course of an extensive investigation of other properties in the general area.

Following a recent re-evaluation of the Big Missouri property in Stewart, B.C., on which a surface diamond drilling program was carried out during the summer of 1974, the Company has now abandoned its option with respect to that property.

No major exploration was undertaken during 1974 on any of the other properties held by the Company or its subsidiaries. Although the Company does not presently plan to initiate any major exploration programs itself during the present fiscal year on any of its properties or those held by its subsidiaries, the management has entered into discussions with others who might be interested in doing so on some joint venture basis.

General

At a recent meeting the Board of Directors, as they were empowered to do by the members at the last Annual General Meeting, increased the number of Directors to six and appointed Mr. F.P. Cundill, a Vancouver based investment counsel, as a Director.

Referring to future plans, Giant Mascot is actively engaged in the investigation for other mining properties the development of which might be facilitated by the employment of all or some portion of the Company's plants and equipment, and is also reviewing other ventures in the natural resource and industrial fields within its financial competence, including the potential realization from the possible disposal of certain of its physical assets, which could yield earnings to the Company.

On behalf of the Board of Directors

President and Managing Director

February 15, 1975

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1974

ASSETS	1974	1973
Current assets:		
Cash	$ 110,460	$ 7,757
Receivables —		
Concentrate settlements	567,859	591,713
Other	71,408	2,712
Concentrate inventories, at estimated net realizable value (Note 1)	386,481	761,969
Supplies, at estimated realizable value	93,000	194,071
Prepaid expenses	173,631	170,379
Total current assets	1,402,839	1,728,601
Investment in and advances to affiliated company, Giant Explorations Limited (N.P.L.) (Note 1):		
Investment	127,370	183,304
Advances	51,716	17,939
	179,086	201,243
Mining properties and petroleum and natural gas holdings (Notes 2 and 3)	6,316,092	13,218,405
Interest in Panarctic Oils Ltd. (Note 4)	14,177,673	13,248,215
	$22,075,690	$28,396,464

LIABILITIES AND SHAREHOLDERS' EQUITY	1974	1973
Current liabilities:		
Bank loans	$ 3,050,000	$ 1,500,000
Accounts payable	123,001	268,176
Accrued liabilities	167,746	261,915
Liability relating to the acquisition of shares of Panarctic Oils Ltd. (Note 4)	795,145	562,628
Current portion of capitalized lease obligations	–	11,201
Total current liabilities	4,135,892	2,603,920
Capitalized lease obligations	–	14,562
Deferred income and mining taxes *(Note 1)*	–	3,154,500
	–	3,169,062
Minority interest in subsidiary	85,666	72,620
Shareholders' equity:		
Capital stock –		
Authorized:		
15,000,000 common shares of no par value		
Issued:		
8,693,728 common shares (Note 10)	16,273,848	16,273,848
Contributed surplus	237,494	237,494
Retained earnings	1,342,790	6,039,520
	17,854,132	22,550,862
Commitment and contingent liabilities (Notes 5 and 7)		
	$22,075,690	$28,396,464

THESE CONSOLIDATED FINANCIAL STATEMENTS
HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS:

Director

Director

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED SEPTEMBER 30, 1974

	1974	1973
Retained earnings, beginning of year	$6,039,520	$6,318,905
Loss for the year	4,696,730	279,385
Retained earnings, end of year	$1,342,790	$6,039,520

GIANT MASCOT MINES LIMITED

CONSOLIDATED STATEMENT OF LOSS (Note 2)
YEAR ENDED SEPTEMBER 30, 1974

	1974	1973
Value of mineral production (Note 1)	$3,108,448	$4,202,988
Cost of production:		
Mining	1,274,137	1,524,577
Concentrating	633,756	719,600
Mine exploration and development	268,355	692,923
Mine administration	272,197	227,347
Depreciation	529,133	556,966
Amortization	305,688	266,930
Depletion	11,778	11,745
	3,295,044	4,000,088
Gross profit (loss)	(186,596)	202,900
General and administrative expenses (Note 6)	247,644	309,142
Other general expenses:		
Investigation of exploration prospects	39,853	45,107
Interest expense	319,417	24,239
Financing expense	37,983	—
	644,897	378,488
	(831,493)	(175,588)
Other income and (expense):		
Gain (loss) on disposal of assets	(55,536)	30,161
Maintenance costs - Motherlode-Greyhound Property	(74,789)	—
Interest income	1,797	12,869
Miscellaneous	10,886	5,218
	(117,642)	48,248
Loss before income and mining taxes recoverable, equity in expired costs of affiliate and extraordinary items	949,135	127,340
Deferred income and mining taxes recoverable	413,500	53,000
Loss before equity in expired costs of affiliate and extraordinary items	535,635	74,340
Equity in expired costs of affiliate (Note 1)	55,934	5,150
Loss before extraordinary items	591,569	79,490
Extraordinary items:		
Write-down of mining assets, net of deferred tax of $2,741,000 (Note 2)	4,105,161	—
Financing expenses, net of deferred tax of $54,000	—	199,895
	4,105,161	199,895
Loss for the year	$4,696,730	$ 279,385
Loss per common share (Note 8)		

592
236
356

79
8,3
16 2

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED SEPTEMBER 30, 1974

	1974	1973
Financial resources were provided by:		
Loss for the year	$ —	$ (279,385)
Add: Income charges (credits) not affecting working capital in the year -		
Depreciation, depletion and amortization	—	835,641
Deferred income and mining taxes recoverable	—	(107,000)
Gain on disposal of fixed assets	—	(30,161)
Equity in expired costs of affiliate	—	5,150
	—	424,245
Proceeds of disposals of fixed assets	77,295	37,700
Minority interest in subsidiary	13,046	—
Other	—	14,562
	90,341	476,507
Financial resources were used for:		
Loss for the year	4,696,730	—
Less: Income credits (charges) not affecting working capital in the year -		
Write-down of mining assets (Note 2)	(6,752,724)	—
Depreciation, depletion and amortization	(846,599)	—
Deferred income and mining taxes recoverable	3,154,500	—
Loss on disposal of fixed assets	(55,536)	—
Equity in expired costs of affiliate	(55,934)	—
	140,437	—
Interest in Panarctic Oils Ltd.	929,458	1,141,690
Additions to mineral claims, buildings and equipment	209,738	954,062
Deferred exploration, development and other expenditures	620,103	565,067
Increase in advances to affiliate	33,777	22,283
Capitalized lease obligations	14,562	—
	1,948,075	2,683,102
Decrease in working capital	(1,857,734)	(2,206,595)
Working capital (deficiency), beginning of year	(875,319)	1,331,276
Working capital deficiency, end of year	$(2,733,053)	$ (875,319)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 1974

1. **Accounting policies:**

The following significant accounting policies practiced by the Company are set forth to facilitate an understanding of the accompanying consolidated financial statements.

a) **Principles of consolidation:**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, namely: G.M. Explorations Limited (N.P.L.), Mascot Copper Mines Limited (N.P.L.), Mascot Mines & Petroleums Limited, Mascot Nickel Plate Mines Limited (in which the Company owns a 76% interest).

b) **Valuation of concentrate inventories:**

The Company operated under firm sales contracts covering all mineral production for the year ended September 30, 1974, therefore, mineral production is valued at estimated net realizable value and revenues have been recorded as concentrate was produced.

c) **Accounting for investment in affiliate - Giant Explorations Limited (N.P.L.):**

The Company carries its 28% investment in this affiliate by the equity method of accounting. The Company's share in the affiliate's expired costs for the year ended September 30, 1974 has been determined on the basis of unaudited financial statements of that company as at September 30, 1974.

The Company recorded as contributed surplus its equity in the increased share capital of this affiliate derived from capital stock issuances to underwriters at prevailing prices. The difference as of September 30, 1974 between the carrying amount of the investment accounted for under the equity method and the underlying equity in net assets, in the amount of $29,918, has been allocated to mineral claims and exploration and development expenditures thereon.

d) **Capitalization of exploration and development expenditures:**

Expenditures which contributed significantly to the life of the Giant Nickel Mine were deferred as incurred and amortized on a straight-line basis at the rate of 10% annually. Following the shutdown of the Giant Nickel Mine (see Note 2) the unamortized balance at September 30, 1974 was written down.

Expenditures are capitalized on the other properties which are held for development and are not operating, and accordingly no depreciation or amortization is being provided. When a property is abandoned or an option dropped, the related costs are written off against income in that year.

e) **Depreciation:**

The Company provided for depreciation on buildings and equipment at the Giant Nickel Mine on a straight-line basis at the rate of 5% annually for buildings and other surface assets and 10% annually for underground machinery and facilities. Mobile equipment was depreciated on the declining-balance method at a rate of 30% per year. Following the shutdown of the Giant Nickel Mine (see Note 2) the buildings and equipment have been written down to their estimated realizable value.

f) **Repairs and maintenance:**

Repairs and maintenance and minor expenditures for renewals and betterments, not calculated to extend the original life of the assets, have been charged to income as incurred. Other renewals and betterments which were considered to extend materially the original life of the assets were capitalized, and these amounts were written off over the remaining depreciable life of the assets.

g) **Income taxes:**

The Company records income taxes on the tax allocation basis recommended by the Canadian Institute of Chartered Accountants. Provision is made for deferred income and mining taxes arising from principally depreciation and exploration and development expenditures claimed for income and mining tax purposes in excess of the amounts charged against earnings in the accounts .

h) **Mineral claims:**

The costs of mineral claims at the Giant Nickel Mine were amortized against earnings at 4% per year while the Giant Nickel Mine was in production.

2. **Shutdown of Giant Nickel Mine and write-down of mining and milling assets:**

On August 30, 1974 the Giant Nickel Mine at Hope, B.C. was shut down because of a lack of proven ore reserves of sufficient grade to continue a profitable operation.

Before the Company can assess the potential of the Giant Nickel Property for future production it would be necessary to carry out an extensive exploration programme. It is presently estimated that such a programme would cost in the order of $1,500,000 and would take approximately three years to carry out once commenced.

In view of the uncertainties inherent in exploration and in the generation of the necessary funds, the directors of the Company considered it prudent to write down the mining and milling assets by the following amounts:

Buildings and equipment:	
Amount required to write down buildings and equipment to their estimated realizable value	$5,387,542
Deferred exploration and development expenditures:	
Amount required to write down building and development and exploration cost to the estimated value of the direct geological survey and diamond drilling expenditures made to and pertaining to future ore reserves	1,365,182
Supplies:	
Amount required to write supplies down to estimated realizable value	93,437
Total	$6,846,161

The amount of this write down less the applicable deferred income tax adjustment is included as an extraordinary item in the statement of loss.

3. **Mining properties and petroleum and natural gas holdings:**

	September 30 1974	September 30 1973
Mining properties:		
Giant Nickel Mine (Note 2)—		
Mineral claims, at cost less accumulated depletion of $57,996 (1973 - $46,218)	$ 236,444	$ 247,407
Buildings and equipment, at estimated realizable value (1973 - at cost, less accumulated depreciation of $2,298,471)	1,515,204	7,083,436
Deferred mine development and exploration costs less accumulated amortization and extraordinary write down of $2,282,537 (1973 - $612,867)	762,339	2,056,432
	2,513,987	9,387,275
Giant Copper property:		
Mineral claims, buildings and equipment, at cost* *(including $1,084,997 ascribed to 1,084,997 shares issued therefor)	1,077,298	1,368,410
Deferred exploration and development expenditures	1,086,997	1,084,570
	2,164,295	2,452,980
Motherlode-Greyhound property:		
Mineral claims, at cost	217,429	203,091
Buildings and equipment, at cost	445,050	451,357
Deferred exploration and development expenditures	295,624	74,327
	958,103	728,775
Mascot Nickel Plate property:		
Mineral claims, at cost	90,172	79,126
Deferred exploration and development expenditures	277,042	263,489
	367,214	342,615
Nickel Syndicate property (50% interest):		
Mineral claims, at cost	23,447	22,643
Deferred exploration and development expenditures	204,006	199,375
	227,453	222,018

	September 30 1974	September 30 1973
Giant Soo property:		
Mineral claims, at cost	21,202	21,202
Deferred exploration and development expenditures	53,838	52,340
	75,040	73,542
Interest in petroleum and natural gas holdings:		
Pembina Cardium Unit No. 8, at cost less accumulated depletion of $1,200	10,000	11,200
	$ 6,316,092	$13,218,405

The total amount shown for mining properties and petroleum and natural gas holdings is not intended to represent present or future value.

4. Interest in Panarctic Oils Ltd. (1,658,172 common shares):

Under an agreement dated March 2, 1974, the Company acquired 72,550 additional common shares of Panarctic Oils Ltd. at a cost of $906,875; accordingly the Company's interest at September 30, 1974 is 4.436%. The Company expects to be called upon to pay the balance of this obligation within the next fiscal year.

5. Commitment:

The Company is committed under a lease agreement to pay annually $11,500 as rental for its head office premises until June 30, 1977. The Company has sublet its former premises to the Federal Government and remains contingently liable for the annual rental of $40,688 until May 30, 1977.

6. Remuneration of directors and senior officers:

Total direct remuneration paid by the Company and its subsidiaries to the directors and senior officers (including not only officers, as such, but also by definition, certain management personnel) was $143,300 (1973 - $158,709). No such remuneration was paid by the Company's subsidiaries.

7. Contingent liabilities:

The Motherlode-Greyhound properties are subject to payment of royalties to the previous owner or optionor, the aggregate amounts of which are fixed, and to a 5% interest in net profits.

8. **Loss per common share:**

	September 30	
	1974	1973
Loss before extraordinary item	$ .07	$ .01
Extraordinary item	.47	.02
Net loss	$ .54	$ .03

9. **Loss carry-forward:**

At September 30, 1974 the Company has available as a future deduction for income tax purposes an accounting loss carry-forward of approximately $800,000.

10. **Rights Offering:**

The Company distributed to its shareholders of record, as of December 12, 1974, rights to purchase up to an additional 6,085,604 common shares at the price of $0.58 per share on the basis of seven additional shares for every ten shares held as of the date of record. By way of gross subscription for these rights, which expired on January 13, 1975, the Company received $2,227,200 and issued a total of 3,839,999 common shares, bringing the total number of shares issued and outstanding to 12,533,727.

Pursuant to an agreement dated February 15, 1974, as modified by agreements dated July 23 and October 28, 1974, between the Company and its major shareholder, Cemp Investments Ltd. (Cemp), under the terms of which Cemp guaranteed that the Company would receive not less than an amount of $2,060,146 by way of gross subscriptions from the Rights Offering, the Company may call upon Cemp, from time to time, to subscribe up to an amount of $1,302,450 for additional common shares at the Rights Offering price of $0.58 per share, which would involve the issuance of up to a further 2,245,605 common shares of the Company. However, the Company may only call on Cemp to do so if and to the extent that the amount to be subscribed by Cemp either constitutes reimbursement to the Company of up to the aggregate amount of payments made by it to or on behalf of Panarctic Oils Ltd. (Panarctic) during the period from October 1, 1973, to the closing of the Rights Offering, or are required by the Company thereafter to pay the balance of its commitment to Panarctic under the Fifth Expansion Agreement.

AUDITORS' REPORT

To the Shareholders of
Giant Mascot Mines Limited:

We have examined the consolidated balance sheet of Giant Mascot Mines Limited and its subsidiaries as at September 30, 1974 and the consolidated statements of loss, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The ultimate realization of the Companies' investment in mineral claims, buildings and equipment, deferred mine development costs and deferred exploration and development expenditures is dependent on the results of future exploration and development work and the generation of sufficient funds for such programmes.

Vancouver, B.C.
January 31, 1975

In our opinion, subject to the outcome of the Companies' exploration and development efforts, these consolidated financial statements present fairly the financial position of the Companies as at September 30, 1974 and the results of their operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. In accordance with Section 212 of the British Columbia Companies Act we report that, in our opinion, due provision has been made for minority interests.

Price Waterhouse & Co.

Chartered Accountants

THREE MONTH INTERIM REPORT – 1975 FISCAL PERIOD

For the three month period ended December 31, 1974
with comparative figures for 1973

Consolidated Statement of Changes in Financial Position

	1974	1973
Financial resources were provided by:		
Operations	$ –	$ 105,535
Proceeds from sale of assets	14,287	–
Minority interest in subsidiary	–	2,000
	14,287	107,535
Financial resources were used for:		
Administration, property maintenance and other expenditures	207,761	–
Interest in Panarctic Oils Ltd.	750	2,121
Additions to mineral claims, buildings and equipment	–	87,631
Deferred exploration, development and other expenditures	23,878	256,731
Increase in advances to affiliate	4,530	7,901
Reduction in capitalized lease obligations	–	2,333
	236,919	356,717
Decrease in working capital	222,632	249,182
Working capital deficiency, beginning of period	2,733,053	875,319
Working capital deficiency, end of period	$2,955,685	$1,124,501

Note: This statement, being made up to December 31, 1974, does not reflect the receipt by the Company of the proceeds of its rights offering which expired on January 13, 1975.

The above figures are subject to audit and year end adjustments.

LITHOGRAPHED IN CANADA BY SECURITY PRINTING CORP. LTD., VANCOUVER, B.C.